

Consolidated Balance Sheets

(Millions of yen)

	Prior Fiscal Year (Ended March 31, 2019)	Current Fiscal Year (Ended March 31, 2020)
Assets		
Current assets:		
Cash and deposits	168,712	165,747
Notes and accounts receivable - trade	197,227	177,038
Securities	3,703	3,643
Inventories	143,429	136,442
Other	24,411	26,079
Allowance for doubtful accounts	(2,303)	(2,362)
Total current assets	535,180	506,588
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	428,376	436,527
Accumulated depreciation	(280,217)	(282,635)
Buildings and structures, net	148,158	153,892
Machinery, equipment and vehicles	577,200	610,312
Accumulated depreciation	(435,682)	(464,839)
Machinery, equipment and vehicles, net	141,518	145,472
Land	63,933	62,596
Construction in progress	22,774	13,197
Other	91,995	109,327
Accumulated depreciation	(74,015)	(79,596)
Other, net	17,980	29,730
Total property, plant and equipment	394,365	404,888
Intangible assets	19,868	25,954
Investments and other assets:		
Investment securities	31,572	23,302
Deferred tax assets	16,388	13,177
Other	15,655	10,792
Allowance for doubtful accounts	(1,096)	(1,059)
Total investments and other assets	62,519	46,213
Total noncurrent assets	476,753	477,056
Total assets	1,011,934	983,645

Consolidated Balance Sheets

(Millions of yen)

	Prior Fiscal Year (Ended March 31, 2019)	Current Fiscal Year (Ended March 31, 2020)
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	69,962	64,182
Short-term loans payable	4,817	4,731
Current portion of long-term loans payable	8	5
Income taxes payable	4,208	7,375
Provision for bonuses	15,261	15,635
Deposits received from employees	34,415	34,692
Other	65,099	56,280
Total current liabilities	193,774	182,904
Noncurrent liabilities:		
Bonds payable	10,000	10,000
Long-term loans payable	2,014	2,009
Deferred tax liabilities	3,333	4,720
Net defined benefit liabilities	123,423	107,483
Provision for directors' retirement benefits	864	939
Other	7,327	13,022
Total noncurrent liabilities	146,963	138,176
Total liabilities	340,738	321,080
Net assets		
Shareholders' equity:		
Capital stock	11,992	11,992
Capital surplus	35,360	35,360
Retained earnings	684,613	705,365
Treasury stock	(15)	(16)
Total shareholders' equity	731,950	752,701
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	7,968	2,543
Deferred gains or losses on hedges	295	187
Foreign currency translation adjustments	(23,189)	(49,450)
Remeasurements of defined benefit plans	(61,620)	(59,377)
Total accumulated other comprehensive income	(76,545)	(106,096)
Non-controlling interests	15,790	15,959
Total net assets	671,195	662,564
Total liabilities and net assets	1,011,934	983,645

Consolidated Statements of Income

(Millions of yen)

	Prior Fiscal Year (From April 1, 2018 to March 31, 2019)	Current Fiscal Year (From April 1, 2019 to March 31, 2020)
Net sales	765,781	732,854
Cost of sales	491,381	473,594
Gross profit	274,400	259,260
Selling, general and administrative expenses	212,625	217,918
Operating income	61,775	41,341
Non-operating income:		
Interest income	2,106	2,676
Dividends income	521	689
Foreign exchange gains	167	–
Miscellaneous income	3,662	3,136
Total non-operating income	6,456	6,502
Non-operating expenses:		
Interest expenses	695	920
Foreign exchange losses	–	545
Miscellaneous loss	3,069	3,716
Total non-operating expenses	3,765	5,182
Ordinary income	64,466	42,661
Extraordinary income:		
Gain on sales of noncurrent assets	2,287	5,000
Other	185	15
Total extraordinary income	2,473	5,016
Extraordinary loss:		
Loss on sales of noncurrent assets	107	281
Loss on retirement of noncurrent assets	1,637	1,389
Loss on termination of retirement benefit plan	1,057	–
Other	260	69
Total extraordinary loss	3,063	1,740
Income before income taxes and non-controlling interests	63,876	45,936
Income taxes-current	13,657	15,976
Income taxes-deferred	2,905	5,221
Total income taxes	16,562	21,197
Net income	47,313	24,738
Net income attributable to non-controlling interests	1,489	1,109
Net income attributable to owners of parent	45,824	23,629

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Prior Fiscal Year (From April 1, 2018 to March 31, 2019)	Current Fiscal Year (From April 1, 2019 to March 31, 2020)
Net income	47,313	24,738
Other comprehensive income:		
Valuation difference on available-for-sale securities	95	(5,425)
Deferred gains or losses on hedges	4	(107)
Foreign currency translation adjustments	(2,883)	(26,500)
Remeasurements of defined benefit plans	(6,109)	2,262
Total other comprehensive income	(8,893)	(29,770)
Comprehensive income	38,420	(5,032)
Comprehensive income attributable to:		
Owners of the parent	36,878	(5,921)
Non-controlling interests	1,541	889

Consolidated Statements of Changes in Net Assets

Prior Fiscal Year (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	11,992	35,218	641,666	(13)	688,864
Changes in items during the period					
Dividends from surplus			(2,877)		(2,877)
Net income attributable to owners of parent			45,824		45,824
Purchase of treasury stock				(1)	(1)
Change in ownership interest of parent due to transactions with non-controlling interests		141			141
Net changes in items other than shareholders' equity					-
Total changes in items during the period	-	141	42,946	(1)	43,086
Balance at the end of current period	11,992	35,360	684,613	(15)	731,950

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	7,873	291	(20,274)	(55,479)	(67,589)	15,087	636,361
Changes in items during the period							
Dividends from surplus					-		(2,877)
Net income attributable to owners of parent					-		45,824
Purchase of treasury stock					-		(1)
Change in ownership interest of parent due to transactions with non-controlling interests					-		141
Net changes in items other than shareholders' equity	95	4	(2,915)	(6,140)	(8,955)	703	(8,252)
Total changes in items during the period	95	4	(2,915)	(6,140)	(8,955)	703	34,834
Balance at the end of current period	7,968	295	(23,189)	(61,620)	(76,545)	15,790	671,195

Consolidated Statements of Changes in Net Assets

Current Fiscal Year (From April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	11,992	35,360	684,613	(15)	731,950
Changes in items during the period					
Dividends from surplus			(2,877)		(2,877)
Net income attributable to owners of parent			23,629		23,629
Purchase of treasury stock				(1)	(1)
Net changes in items other than shareholders' equity					-
Total changes in items during the period	-	-	20,751	(1)	20,750
Balance at the end of current period	11,992	35,360	705,365	(16)	752,701

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	7,968	295	(23,189)	(61,620)	(76,545)	15,790	671,195
Changes in items during the period							
Dividends from surplus					-		(2,877)
Net income attributable to owners of parent					-		23,629
Purchase of treasury stock					-		(1)
Net changes in items other than shareholders' equity	(5,425)	(107)	(26,260)	2,242	(29,551)	169	(29,381)
Total changes in items during the period	(5,425)	(107)	(26,260)	2,242	(29,551)	169	(8,631)
Balance at the end of current period	2,543	187	(49,450)	(59,377)	(106,096)	15,959	662,564

Consolidated Statements of Cash Flows

(Millions of yen)

	Prior Fiscal Year (From April 1, 2018 to March 31, 2019)	Current Fiscal Year (From April 1, 2019 to March 31, 2020)
Net cash provided by (used in) operating activities		
Income before income taxes and non-controlling interests	63,876	45,936
Depreciation and amortization	49,547	54,799
Increase (decrease) in allowance for doubtful accounts	(37)	194
Increase (decrease) in net defined benefit liabilities	(15,664)	(13,189)
Interest and dividends income	(2,627)	(3,365)
Interest expenses	695	920
Loss on retirement of property, plant and equipment	1,006	678
Loss (gain) on sales of property, plant and equipment	(2,130)	(4,718)
Decrease (increase) in notes and accounts receivable - trade	(7,761)	16,201
Decrease (increase) in inventories	(11,447)	1,049
Increase (decrease) in notes and accounts payable - trade	3,825	(4,915)
Other, net	1,902	(4,486)
Subtotal	81,185	89,105
Interest and dividends income received	2,623	2,783
Interest expenses paid	(708)	(925)
Income taxes paid	(14,493)	(13,231)
Net cash provided by (used in) operating activities	68,607	77,731
Net cash provided by (used in) investing activities		
Net decrease (increase) in short-term loans receivable	(403)	(1,236)
Payments into time deposits	(5,865)	(7,715)
Proceeds from withdrawal of time deposits	18,504	8,001
Purchase of property, plant and equipment	(62,282)	(60,488)
Proceeds from sales of property, plant and equipment	2,618	6,680
Purchase of intangible assets	(4,321)	(3,244)
Proceeds from sales of intangible assets	49	9
Purchase of investment securities	(2,478)	(115)
Proceeds from sales and redemption of investment securities	422	147
Payments from changes in ownership interests in subsidiaries that result in change in scope of consolidation	-	(10,418)
Payments of long-term loans receivable	(5)	-
Other, net	(128)	257
Net cash provided by (used in) investing activities	(53,888)	(68,123)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	768	39
Repayments of finance lease obligations	(403)	(1,906)
Proceeds from long-term loans payable	2,014	15
Repayments of long-term loans payable	(2,020)	(18)
Proceeds from issuance of bonds	9,961	-
Redemption of bonds	(10,000)	-
Purchase of treasury stock	(1)	(1)
Cash dividends paid	(2,881)	(2,875)
Dividends paid to non-controlling interests	(685)	(700)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(7)	-
Net cash provided by (used in) financing activities	(3,255)	(5,446)
Effect of exchange rate change on cash and cash equivalents	(298)	(5,693)
Net increase (decrease) in cash and cash equivalents	11,164	(1,533)
Cash and cash equivalents at the beginning of period	155,076	166,241
Cash and cash equivalents at the end of period	166,241	164,708

Notes to the Consolidated Financial Statements

Significant Accounting Policies

1. Scope of consolidation

Main consolidated subsidiaries are listed in "4. Overview of Affiliated Companies" under "1. Corporate Overview."

(1) Number of consolidated subsidiaries 108

Number of consolidated subsidiaries increased due to being newly established or purchased 3

YKK AP (CHINA) INVESTMENT CO., LTD.

ERIE ARCHITECTURAL PRODUCTS INC.

ERIE ARCHITECTURAL PRODUCTS USA, INC.

Number of consolidated subsidiaries decreased due to mergers between the parent and other consolidated subsidiaries 3

KUROBE SECURITY SERVICE

YKK FASTENING PRODUCTS SALES (SHANGHAI) CO., LTD.

YKK FASTENING PRODUCTS SALES (KOREA) INC.

The 108 consolidated subsidiaries include YKK HOLDING EUROPE B.V. and YKK Nederland BV.

(2) Number of unconsolidated subsidiaries 5

Name of major unconsolidated subsidiary:

Y2K HOLDINGS CORPORATION

The reason for exclusion from consolidation is as follows:

These companies have been excluded from consolidation because they are small, and their total assets, net sales, net income (amount equivalent to the equity portion held by the Company) and retained earnings (amount equivalent to the equity portion held by the Company) do not have a significant effect on the consolidated financial statements.

2. Application of equity method

(1) Number of companies accounted for using the equity method

Not applicable.

(2) Number of companies not accounted for using the equity method 8

Unconsolidated subsidiaries: 5

Y2K HOLDINGS CORPORATION and others

Affiliated companies: 1

NIKAWA PORTAL CORPORATION and other

The reason for not applying the equity method is as follows:

These companies are not accounted for using the equity method because their impact is not significant on the consolidated financial statements in terms of their total net income (amount equivalent to the equity portion held by the Company) and retained earnings (amount equivalent to the equity portion held by the Company), and they are not significant as a whole.

3. Accounting period of consolidated subsidiaries

The fiscal year end of certain foreign consolidated subsidiaries, including SHANGHAI YKK ZIPPER CO., LTD., is December 31.

These subsidiaries are consolidated using their financial statements as of the parent fiscal year end, which are prepared solely for consolidation purposes.

4. Matters regarding accounting policy

(1) Valuation standards and the valuation method for significant assets

a) Securities

1) Held-to-maturity debt securities

Held-to-maturity debt securities are carried at amortized cost (Straight-line).

2) Other securities

a. Marketable securities

Marketable securities are carried at fair value as of the consolidated fiscal year end, with changes in unrealized gains or losses included directly in net assets. Cost of securities sold is determined using the moving average method.

b. Non-marketable securities

Non-marketable securities are carried at cost, which is determined using the moving average method.

b) Derivatives:

Derivative financial instruments are stated at fair value.

c) Inventories

Inventories are mainly stated at cost based on the gross average method (the balance sheet amounts are determined including any required write-downs based on any decrease in profitability).

(2) Depreciation of assets

a) Property, plant and equipment (excluding leased assets):

Depreciation is calculated using the straight-line method.

The estimated useful lives are as follows:

Buildings and structures 2 - 50 years

Machinery, equipment and vehicles 2 - 15 years

- b) Intangible assets (excluding leased assets):
 Amortization is calculated using the straight-line method.
 Software for internal use is amortized over a period of mainly 5 years using the straight-line method.
- c) Leased assets:
 Leased assets held under finance lease transactions, where ownership is not transferred
 Depreciation of leased assets is calculated using the straight-line method over the lease terms with no residual value.
- d) Right-of-use assets
 Overseas subsidiaries apply the International Financial Reporting Standards 16 "Leases" (hereinafter, "IFRS 16").
 In accordance with IFRS 16, in principle, borrowers in lease transactions record all lease transactions as right-of-use assets.
 Depreciation and amortization is calculated using the straight-line method.
- (3) Basis for significant reserves
- a) Allowances for doubtful accounts
 Allowances for doubtful accounts are provided at an amount sufficient to cover probable losses on collection. The allowances consist of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the historical actual percentage of collection losses on normal receivables.
- b) Provision for bonuses
 Accrued bonuses of the Company and its consolidated subsidiaries have been provided based on the estimated amount of bonuses to be paid to employees that relates to the current consolidated fiscal year.
- c) Provision for directors' retirement benefits
 Provision for directors' retirement benefits of the Company and certain domestic consolidated subsidiaries has been made at an amount to be required at the current consolidated fiscal year end based on the Company's bylaws.
- (4) Accounting for retirement benefits
- a) Attribution to periods of expected retirement benefits
 The Company and its domestic consolidated subsidiaries calculate retirement benefits obligations by using the straight-line attribution method to attribute expected benefits to the periods up to the current fiscal year.
- b) Amortization of actuarial gains and losses and past service costs
 The Company and its domestic consolidated subsidiaries amortize past service costs using the straight-line method over the average remaining years (10-22 years) of service of eligible employees.
 Amortization of actuarial gains or losses begins in the consolidated fiscal year after the fiscal year in which the gain or loss is recognized, and is recorded using the straight-line method over a period within the average remaining years (10-22 years) of service of eligible employees at the time of occurrence in each consolidated fiscal year.
- (5) Reporting of significant revenues and expenses
 Reporting of sales and costs of construction contracts
 Revenue and costs from construction contracts have been accounted for based on the percentage of completion method for the portion of construction completed by the end of the current consolidated fiscal year, when the outcome of the construction contracts can be estimated reliably (the percentage of completion is estimated based on costs incurred). The completed contract method has been applied for all other construction contracts.
- (6) Translation of significant assets and liabilities denominated in foreign currencies into yen
 Current and noncurrent receivables and payables denominated in foreign currencies are translated into yen at the rates of exchange in effect on the final day of the consolidated fiscal year, and differences arising from the translation are treated as loss or gain on exchange. All asset and liability accounts of foreign consolidated subsidiaries and affiliates are translated into yen at the rates of exchange in effect at the consolidated fiscal year end, and all income and expense accounts are translated into yen at the average exchange rate during the year. Differences arising from the translation are presented as foreign currency translation adjustments and non-controlling interests in net assets.
- (7) Hedge accounting
- a) Hedge accounting
 Deferral hedge accounting is adopted, in principle. Forward foreign exchange contracts are subject to appropriation if they satisfy the requirements for appropriation treatment.
- b) Hedging instruments and hedged items
 Hedging instruments and hedged items for which hedge accounting is adopted in the current consolidated fiscal year are as follows:
 Hedging instruments: Forward foreign exchange contracts
 Hedged items: Payables denominated in foreign currencies, forecast transactions denominated in foreign currencies.
- c) Hedging policy
 Foreign exchange fluctuation risk is hedged in accordance with the Company's basic policy related to risk management.
- d) Assessment of hedge effectiveness
 Hedge effectiveness is assessed quarterly, based on the change in market value of hedged items and the change in market value of hedging instruments. Forward foreign exchange contracts, which are subject to appropriation treatment, are excluded from the assessment of hedge effectiveness.
- (8) Goodwill amortization method and period
 In principle, goodwill is amortized using the straight-line method over an estimated effective period from the date of occurrence. When the amount of goodwill is insignificant, goodwill is fully expensed in the period in which it arises.
- (9) Cash and cash equivalents in the Consolidated Statements of Cash Flows
 Cash and cash equivalents consist of cash on hand, cash at banks that can be withdrawn at any time, and short-term investments with a maturity of 3 months or less when purchased that can easily be converted to cash and are subject to little risk of change in value.

(10) Other significant accounting policies of the Consolidated Financial Statements

a) Accounting for consumption tax

Transactions subject to consumption tax are recorded at amounts exclusive of consumption tax.

b) Application of tax effect accounting to the transition from the Consolidated Taxation System to the Group Tax Sharing System

The Company and certain domestic consolidated subsidiaries are transitioning to the Group Tax Sharing System which was established by the Act on Partial Revision of the Income Tax Act (Act No. 8 of 2020). Furthermore, in the case of items for which the non-consolidated tax system was reviewed in conjunction with transition to the Group Tax Sharing System, provisions in Article 44 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28; February 16, 2018) are not applied as per treatment defined in Item 3 of the PITF No.39 Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (March 31, 2020). The amount of deferred tax assets and deferred tax liabilities are based on tax law rules prior to the amendment.

(Changes to accounting policy)

(Application of IFRS 16 "Leases")

From the beginning of the current consolidated fiscal year, IFRS 16 is being applied to overseas subsidiaries that apply International Financial Reporting Standards (IFRS).

When applying IFRS 16, in principle, all leases of borrowers are recorded as assets or liabilities.

In the current consolidated fiscal year, application of IFRS 16 will have an insignificant effect on consolidated financial statements.

(Unapplied accounting standards, etc.)

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020; Accounting Standards Board of Japan)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Statement No. 30; March 31, 2020; Accounting Standards Board of Japan)
- Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Statement No. 19; March 31, 2020; Accounting Standards Board of Japan)

(1) Overview

The International Accounting Standards Board (IASB) and the United States Financial Accounting Standards Board (FASB) jointly developed a comprehensive accounting standard for revenue recognition and published Revenue from Contracts with Customers (IFRS 15 in the IASB and Topic 606 in the FASB) in May 2014. IFRS 15 was implemented for business years starting on or after January 1, 2018, and Topic 606 was implemented for business years starting on or after December 15, 2017. Based on this situation, the Accounting Standards Board of Japan developed a comprehensive accounting standard for revenue recognition and published it together with the application guidelines.

As a basic policy for the development of accounting standards on revenue recognition by the Accounting Standards Board of Japan, from the viewpoint of comparability between financial statements, which is one benefit of consistency with IFRS 15, accounting standards were defined with utilization of IFRS 15 basic principles as a starting point. In addition, if there are items that should be considered in the practices used in Japan up to now, it was decided that alternative treatment will be added to the extent that does not significantly impair comparability.

(2) Scheduled application date

Standards will be applied from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of applying the accounting standards, etc.

The Company is currently evaluating the amount of impact on consolidated financial statements due to application of Accounting Standard for Revenue Recognition.

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30; July 4, 2019; Accounting Standards Board of Japan)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9; July 4, 2019; Accounting Standards Board of Japan)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10; July 4, 2019; Accounting Standards Board of Japan)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Statement No. 31; July 4, 2019; Accounting Standards Board of Japan)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Statement No. 19; March 31, 2020; Accounting Standards Board of Japan)

(1) Overview

The International Accounting Standards Board (IASB) and the United States Financial Accounting Standards Board (FASB) have issued detailed guidance consisting of approximately the same contents on fair value measurement (IFRS 13 Fair Value Measurement in International Financial Reporting Standards (IFRS); Topic 820 Fair Value Measurement in the Accounting Standards Codification Topic of the Generally Accepted Accounting Principles). Based on this situation, mainly in regards to guidance and disclosure on the fair value of financial instruments, the Accounting Standards Board of Japan has taken measures to ensure that Japanese standards are consistent with the international accounting standards, and the Accounting Standard for Fair Value Measurement, etc., have been published.

As a basic policy for the development of accounting standards on fair value measurement by the Accounting Standards Board of Japan, from the viewpoint of enhancing comparability between financial statements of corporations in Japan and overseas through the use of a unified measurement method, in principle, adopt all provisions of IFRS 13. In addition, in consideration for

the practices, etc., used in Japan up to now, it was decided that other treatment will be defined for individual items to the extent that does not significantly impair comparability.

(2) Scheduled application date

Standards will be applied from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of applying the accounting standards, etc.

The Company is currently evaluating the amount of impact on consolidated financial statements due to application of Accounting Standard for Fair Value Measurement.

· Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31; March 31, 2020; Accounting Standards Board of Japan)

(1) Overview

In regards to disclosure of “major sources of estimation uncertainty” as required by Item 125 of International Accounting Standards (IAS) 1 Presentation of Financial Statements (hereinafter, “IAS 1”) issued by the International Accounting Standards Board (IASB) in 2003, there was a request to consider asking for disclosure as commentary information even under Japanese standards as information that is highly useful to users of financial statements. In response, the Accounting Standards Board of Japan developed and published the Accounting Standard for Disclosure of Accounting Estimates (hereinafter, “the Accounting Standard”).

As a basic policy for the development of the Accounting Standard by the Accounting Standards Board of Japan, rather than expanding individual notes, the accounting principle (disclosure purpose) is to be shown and each corporation makes a judgment on the specific disclosure content by considering the purpose of disclosure. The provisions of IAS 1 Item 125 were referenced during the development of this standard.

(2) Scheduled application date

The standard will be applied from the end of the fiscal year ending March 31, 2021.

· Revised Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (ASBJ Statement No. 24; March 31, 2020; Accounting Standards Board of Japan)

(1) Overview

In response to the proposed enhancement of notes information per the “Principles and Procedures of Accounting Treatment Adopted When the Related Accounting Standards, etc., are Not Clearly Defined,” the Accounting Standards Board of Japan made the necessary revisions, which were published as the Revised Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections.

When seeking to enhance the notes information per the “Principles and Procedures of Accounting Treatment Adopted When the Related Accounting Standards, etc., are Not Clearly Defined,” the provisions of the “Annotations to Corporate Accounting Principles” (Note 1-2) will continue to be applied in order to prevent impact on practices up until now when the related accounting standards, etc., are not clearly defined.

(2) Scheduled application date

The standard will be applied from the end of the fiscal year ending March 31, 2021.

(Changes to display method)

Not applicable.

(Additional information)

Regarding accounting estimates in conjunction with the spread of COVID-19, although the spread of COVID-19 in the current consolidated fiscal year forced the stagnation of economic activity in some regions inside and outside Japan (for example, China), the impact on the Group’s business performance was limited. However, the effects of COVID-19 are gradually becoming apparent upon entering the beginning of the next consolidated fiscal year.

Under these circumstances, it is extremely difficult to predict the future impact of COVID-19 on the Group. Nevertheless, when considering the long-term uncertainty, we assume that serious conditions will continue until at least the end of June 2020. Therefore, we will make accounting estimates such as judging the recoverability of deferred tax assets and reflect those estimates in our accounting treatment.

There are many uncertainties regarding how economic activities will be impacted by the spread of COVID-19. If there were to be a change in the conditions forming the basis for the aforementioned assumption, there is a possibility that the financial status and operating results of the Group may be impacted significantly.

Segment information

1. Overview of reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance. The Group conducts business activities based on comprehensive strategies for products handled in Japan and overseas, which are proposed by each business headquarters.

Accordingly, the Group is composed of product segments based on business headquarters, with the two reportable segments of the "Fastening Products" business and the "AP" business. The "Fastening Products" business manufactures and sells zippers, zipper parts, zipper materials, snaps, buttons, etc. The "AP" business manufactures and sells residential windows and sashes, windows and sashes for commercial buildings, interior furnishings, exterior materials, shaped products, and, architectural products.

2. Calculation method for net sales, income or loss, assets, liabilities and other items by reportable segment

Reportable segment income is the value for operating income.

Intersegment net sales and transfers are mainly recorded at market prices and the cost of goods manufactured.

3. Information on net sales, income or loss, assets, liabilities and other items by reportable segment

Prior Fiscal Year (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Reportable segments			Other *1	Adjustments *2	Consolidated *3
	Fastening Products	AP	Total			
Net sales						
Sales to third parties	332,534	427,734	760,269	5,512	–	765,781
Intersegment net sales and transfers	323	285	608	53,351	(53,959)	–
Total	332,857	428,019	760,877	58,863	(53,959)	765,781
Segment income	53,627	23,533	77,160	440	(15,826)	61,775
Segment assets	495,617	384,894	880,511	292,294	(160,872)	1,011,934
Other items						
Depreciation expenses	29,255	14,894	44,149	3,200	2,196	49,547
Increase in tangible and intangible assets	44,592	16,629	61,221	3,933	1,952	67,108

Notes: 1. "Other" includes the following business activities: equipment for manufacturing fastening products, equipment for manufacturing architectural products, manufacturing/sales of molds and machine parts, real estate, aluminum smelting, etc.

2. (1) Adjustments for segment income of (15,826) million yen include a 2,948 million yen elimination of intersegment transactions and (19,137) million yen of operating expenses not allocable to reportable segments. Operating expenses not allocable to reportable segments include those related to administrative departments of the Company.

(2) Adjustments for segment assets of (160,872) million yen include a (49,237) million yen elimination of receivables due from head office administrative departments, 472,137 million yen of company-wide assets not allocable to reportable segments, and a (874) million yen adjustment for inventory assets.

3. Segment income has been reconciled to operating income represented in the Consolidated Statements of Income.

Current Fiscal Year (From April 1, 2019 to March 31, 2020)

(Millions of yen)

	Reportable segments			Other *1	Adjustments *2	Consolidated *3
	Fastening Products	AP	Total			
Net sales						
Sales to third parties	301,803	425,594	727,397	5,456	–	732,854
Intersegment net sales and transfers	317	218	536	53,216	(53,753)	–
Total	302,120	425,812	727,933	58,673	(53,753)	732,854
Segment income	36,213	22,871	59,085	(115)	(17,627)	41,341
Segment assets	469,971	374,378	844,350	273,702	(134,407)	983,645
Other items						
Depreciation expenses	32,548	16,525	49,073	3,482	2,243	54,799
Increase in tangible and intangible assets	41,732	19,350	61,083	2,733	2,051	65,869

Notes: 1. "Other" includes the following business activities: equipment for manufacturing fastening products, equipment for manufacturing architectural products, manufacturing/sales of molds and machine parts, real estate, aluminum smelting, etc.

2. (1) Adjustments for segment income of (17,627) million yen include a 3,865 million yen elimination of intersegment transactions and (21,835) million yen of operating expenses not allocable to reportable segments. Operating expenses not allocable to reportable segments include those related to administrative departments of the Company.

(2) Adjustments for segment assets of (134,407) million yen include a (50,641) million yen elimination of receivables due from head office administrative departments, 469,711 million yen of company-wide assets not allocable to reportable segments, and a (632) million yen adjustment for inventory assets.

3. Segment income has been reconciled to operating income represented in the Consolidated Statements of Income.